

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

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FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC 7036

INFO AMEMBASSY BRUSSELS

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USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: ELAB, ECON, NL

SUBJECT: 1976 WAGE TALKS BREAK DOWN

1. NEGOTIATIONS BETWEEN EMPLOYERS' AND EMPLOYEES' ORGANIZATIONS WITHIN SOCIAL ECONOMIC COUNCIL (ADVISORY ORGANIZATION OF BUSINESS AND LABOR FEDERATIONS AND GOVERNMENT) TO SET GUIDELINES FOR NEXT YEAR'S WAGE INCREASES HAVE BROKEN DOWN. BOTH SIDES REFUSE TO BUDGE FROM THEIR INTIAL POSITIONS.

2. EMPLOYERS' POSITION CALLS FOR WAGE INCREASES TO BE HELD TO AROUND 8.5 PERCENT, THUS RULING OUT USUAL JULY ADJUSTMENT FOR PRICE INCREASES. IN ADDITION, EMPLOYERS WANT MULTI-YEAR AGREEMENT WHICH WOULD REPLACE CURRENT SYSTEM OF AUTOMATIC ADJUSTMENT OF WAGES WITH NEGOTIATED ADJUSTMENT BASED ON CALCULATIONS OF CENTRAL PLANNING BUREAU AND LABOR MARKET CONDITIONS. IMPLICIT IN PLAN IS HOLDING GROWTH OF REAL WAGES BELOW GROWTH OF LABOR PRODUCTIVITY IN ORDER TO RESTORE RECENTLY ERODED PROFIT POSITION OF INDUSTRY.

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3. LABOR BASES ITS POSITION ON MAINTENANCE OF PURCHASING

POWER OF INCOMES BELOW 24,000 GUILDERS THROUGH PAYMENT OF HALF OF JULY 1 WAGE ADJUSTMENT REJECTED BY EMPLOYERS AS PERCENTAGE OF WAGES AND HALF AS FLAT RATE OF 245 GUILDERS PER PERCENTAGE POINT INCREASE IN PRICES. LABOR REGARDS EMPLOYERS' PROPOSED MULTI-YEAR AGREEMENT AS TOTALLY UNACCEPTABLE.

4. ADVISORY COMMISSION OF ECONOMIC EXPERTS HAS ALSO RECOMMENDED RESTRICTED GROWTH OF WAGES AS IMPORTANT MEANS OF COUNTERACTING INFLATION AND UNEMPLOYMENT. COMMISSION ALSO WOULD RESTRICT GROWTH OF COLLECTIVE SECTOR. RAPID GROWTH OF LABOR AND COLLECTIVE COSTS IS VIEWED AS MAIN DAMPER ON INVESTMENT AND THUS EMPLOYMENT.

5. PM DEN UYL HAS SAID THAT GOVERNMENT WILL NOT SHIRK ITS RESPONSIBILITIES AND WILL DICTATE NEXT YEAR'S WAGE INCREASES IF PARTIES CANNOT AGREE. IMMEDIATE GOVERNMENT ACTION WILL BE CONFINED TO TRYING TO RESTART NEGOTIATIONS. SHOULD GOVERNMENT BE FORCED TO SET INCREASE, IT IS CERTAIN TO FAVOR LABOR POSITION. PM DEN UYL REJECTS NOTION THAT RISING LABOR AND COLLECTIVE COSTS ARE ENDANGERING INVESTMENT, ALTHOUGH THIS ANALYSIS OF CURRENT SITUATION IS SUPPORTED STRONGLY BEHIND THE SCENES BY FINMIN DUISENBERG.

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